

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Clarksville	County Ionia
Fiscal Year End February 28, 2007	Opinion Date August 10, 2007	Date Audit Report Submitted to State August 31, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

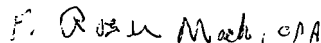
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Willis & Jurasek, P.C.		Telephone Number 517-788-8660	
Street Address 2545 Spring Arbor Road, Suite 200		City Jackson	State MI
		Zip 49203	
Authorizing CPA Signature 	Printed Name F. Roger Mack		License Number 11001020342

Village of Clarksville

County of Ionia, Michigan

Financial Statements
And Independent Auditors' Report

Year Ended February 28, 2007

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Independent Auditors' Report

Village Council
Village of Clarksville
Clarksville, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund, of the Village of Clarksville as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Village of Clarksville as of February 28, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Village of Clarksville has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information on page 15 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Village of Clarksville's basic financial statements. The individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Village of Clarksville. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Willis & Jurasek, PC

Willis & Jurasek, P.C.

August 10, 2007

Village of Clarksville
Statement of Net Assets
February 28, 2007

	<u>Governmental Activities</u>
Assets:	
Cash and investments	\$ 306,211
Receivables:	
Due from other governmental units	15,427
Capital assets less accumulated depreciation of \$29,939	<u>82,134</u>
Total assets	<u>403,772</u>
Liabilities:	
Accounts payable	8,976
Accrued payroll	6,806
Accrued interest	1,709
Long-term liabilities:	
Bonds payable, due within one year	12,651
Bonds payable, due in more than one year	<u>55,727</u>
Total liabilities	<u>85,869</u>
Net Assets:	
Investment in capital assets - net of related debt	12,047
Unrestricted	<u>305,856</u>
Total net assets	<u><u>\$ 317,903</u></u>

See Notes to Financial Statements.

Village of Clarksville
Statement of Activities
Year Ended February 28, 2007

Functions/Programs	Program Revenues			Governmental
	Expenses	Charges for Services	Operating Grants/Contributions	Activities
				Net (Expense) Revenue and Change in Net Assets
Primary Government				
Governmental activities:				
Legislative	\$ 7,190	\$ -	\$ -	(7,190)
General government	45,970	-	-	(45,970)
Public works	36,713	-	31,920	(4,793)
Interest on long-term debt	2,917	-	-	(2,917)
Total governmental activities	\$ 92,790	\$ -	\$ 31,920	(60,870)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				63,378
State aid not restricted to specific purposes				37,717
Interest and investment earnings				7,909
Other				4,496
Total general revenues				113,500
Change in Net Assets				52,630
Net Assets - Beginning of Year				265,273
Net Assets - End of Year				\$ 317,903

See Notes to Financial Statements.

Village of ClarksvilleBalance Sheet
Governmental Funds
February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Total</u>
<u>Assets</u>				
Cash	\$ 276,848	\$ 15,862	\$ 13,501	\$ 306,211
Receivables:				
Due from other governmental units	<u>9,664</u>	<u>4,530</u>	<u>1,233</u>	<u>15,427</u>
Total assets	<u>\$ 286,512</u>	<u>\$ 20,392</u>	<u>\$ 14,734</u>	<u>\$ 321,638</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 3,436	\$ 3,432	\$ 2,108	\$ 8,976
Salaries payable	<u>6,806</u>	<u>-</u>	<u>-</u>	<u>6,806</u>
Total liabilities	<u>10,242</u>	<u>3,432</u>	<u>2,108</u>	<u>15,782</u>
Fund Balances:				
Unreserved;undesignated	<u>276,270</u>	<u>16,960</u>	<u>12,626</u>	<u>305,856</u>
Total fund balances	<u>276,270</u>	<u>16,960</u>	<u>12,626</u>	<u>305,856</u>
Total liabilities and fund balances	<u>\$ 286,512</u>	<u>\$ 20,392</u>	<u>\$ 14,734</u>	<u>\$ 321,638</u>

Village of Clarksville
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets
of Governmental Activities on the Statement of Net Assets
February 28, 2007

Total Fund Balances - Governmental Funds	\$	305,856
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Amounts reported for governmental activities in the Statement
of Net Assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

The cost of the capital assets is	\$	112,073	
Accumulated depreciation is		<u>(29,939)</u>	
			82,134

Long-term liabilities not due and payable in the current period
and not reported in the funds:

Notes payable		(68,378)	
Accrued interest		<u>(1,709)</u>	

Total Net Assets - Governmental Activities	\$	<u>317,903</u>
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Village of Clarksville
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended February 28, 2007

	General Fund	Major Street Fund	Local Street Fund	Total
Revenues:				
Taxes	\$ 63,378	\$ -	\$ -	\$ 63,378
Intergovernmental	37,717	25,090	6,830	69,637
Interest	7,551	182	176	7,909
Other	<u>4,496</u>	<u>-</u>	<u>-</u>	<u>4,496</u>
Total revenues	<u>113,142</u>	<u>25,272</u>	<u>7,006</u>	<u>145,420</u>
Expenditures:				
Legislative	7,190	-	-	7,190
General government	42,890	-	-	42,890
Public works	14,970	11,796	9,947	36,713
Debt service:				
Principal and interest payments	<u>-</u>	<u>15,386</u>	<u>-</u>	<u>15,386</u>
Total expenditures	<u>65,050</u>	<u>27,182</u>	<u>9,947</u>	<u>102,179</u>
Changes in Fund Balances	48,092	(1,910)	(2,941)	43,241
Fund Balances - Beginning of Year	<u>228,178</u>	<u>18,870</u>	<u>15,567</u>	<u>262,615</u>
Fund Balances - End of Year	<u>\$ 276,270</u>	<u>\$ 16,960</u>	<u>\$ 12,626</u>	<u>\$ 305,856</u>

See Notes to Financial Statements.

Village of Clarksville
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Governmental Funds
Year Ended February 28, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	43,241
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the
Statement of Activities, these costs are allocated over their estimated
useful lives as depreciation.

Depreciation expense	\$ (3,080)	
Capital outlay	<u>-</u>	(3,080)

Long-term debt proceeds are reported as financing sources in governmental
funds and thus contribute to the change in fund balance. In the Statement of Net
Assets, however, issuing debt increases long-term liabilities and does not
affect the Statement of Activities. Similarly, repayment of principal is an
expenditure in the governmental funds but reduces the liability in the
Statement of Net Assets.

Repayment of long-term debt		12,164
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Some expenses reported in the Statement of Activities do not require the use
of current financial resources and therefore are not reported as expenditures
in the funds.

Decrease in accrued interest payable on debt		<u>305</u>
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Change in Net Assets of Governmental Activities	\$	<u>52,630</u>
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Village of Clarksville

Notes to Financial Statements

1. Summary of Significant Accounting Policies

Description of Village Operations

The Village of Clarksville was incorporated under the provisions of the Home Rule Village Act. The Village operates under a Council form of government and provides various services to its residents in many areas including community enrichment, and development and human services. The criteria established by GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financial relationships. Education services are provided through the local school system, which is a separate governmental entity and, therefore, is not represented in the financial statements included herein.

Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the entity does not contain component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Fund-Based Statements - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

General Fund – This fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the major street functions of the Village.

Local Street Fund – This fund is a special revenue fund. It accounts for revenues received primarily from the State of Michigan Department of Transportation and accounts for street activity relating to the local street functions of the Village.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

The Village reports its investments (when applicable) in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Village intends to hold the investment until maturity. Accordingly, investments in banker acceptances and Commercial paper are recorded at amortized cost. The Village had no investments at February 28, 2007.

State statutes authorize the Village to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers' acceptances, and mutual funds composed of otherwise legal investments.

Receivables and Payables – All receivables are reported at their net value. They are reduced, where appropriate, by the estimated portion that is expected to be uncollectible.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Village of Clarksville
Notes to Financial Statements

1. Summary of Significant Accounting Policies (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Equipment and furniture	5 - 10

Long-Term Obligations – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Property Taxes - The government's property taxes are levied each July 1 on the taxable valuation of property located in the Village as of the preceding December 31, the lien date. Property taxes are payable without penalty and interest through August 31; as of March 1 of the succeeding year, unpaid real property taxes are sold to and collected by Ionia County.

Assessed values as established annually by the government, and subject to acceptance by the County, are equalized by the State at an estimated 50% of current market value. Real and personal property in the Village for 2006 had a taxable value of approximately \$6,489,000 representing 50% of estimated current market value. The government's general operating tax rate for fiscal year 2006-07 was 9.5965 mills.

Village of Clarksville
Notes to Financial Statements

2. Stewardship, Compliance and Accountability

The general and special revenue funds are the governmental fund types under formal budgetary control. The Village adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and annual appropriation act to implement the budget.

- 1) A general and special revenue budget is presented to Village Council in February, at which time hearings on the budget are scheduled.
- 2) The budget, and an appropriation resolution implementing it, is then adopted in March.
- 3) Formal budget integration is employed as a management control device during the year for all funds.
- 4) Budgets presented for the general and special revenue funds were prepared on the modified cash basis of accounting. Encumbrances are not recorded at year end.
- 5) Expenditures may not legally exceed activity (department) totals in the general fund. All other special revenue funds cannot legally exceed their respective fund totals.
- 6) The Governing Board has the authority to amend all budgets at the fund level. It further has the right to amend the General Fund at the activity level if it desires. Management has no authority to amend budgets at the fund level. Management can do transfers within funds at the departmental level without governing board approval but not between departments.
- 8) The budgetary information presented has not been amended during the year by an official action of the Village Council.
- 9) All budget appropriations lapse at the end of each fund's fiscal year.

3. Cash and Cash Equivalents

At year-end, the City's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities
Cash and investments	\$ <u>306,211</u>

The breakdown for deposits for the Village is as follows:

Deposits (checking, savings accounts and certificates of deposit)	\$ <u>306,211</u>
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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$206,354 of the Village's bank balance of \$306,354 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Village had no investments at year-end.

Village of Clarksville
Notes to Financial Statements

4. Receivables

Receivables of the governmental activities of the primary government at February 28, 2007, consisted of the following:

Other governmental units (primarily the State of Michigan) \$ 15,427

5. Capital Assets

Capital assets activity for the year ended February 28, 2007 was as follows:

Primary Government	Beginning Balance	Additions	Disposals and Adjustments	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,000	\$ -	\$ -	\$ 4,000
Total capital assets not being depreciated	<u>4,000</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
Capital assets being depreciated:				
Buildings and improvements	98,446	-	-	98,446
Equipment and furniture	<u>9,627</u>	<u>-</u>	<u>-</u>	<u>9,627</u>
Total capital assets being depreciated	<u>108,073</u>	<u>-</u>	<u>-</u>	<u>108,073</u>
Accumulated depreciation:				
Buildings and improvements	22,351	1,691	-	24,042
Equipment and furniture	<u>4,508</u>	<u>1,389</u>	<u>-</u>	<u>5,897</u>
Total accumulated depreciation	<u>26,859</u>	<u>3,080</u>	<u>-</u>	<u>29,939</u>
Total capital assets being depreciated - net	<u>81,214</u>	<u>(3,080)</u>	<u>-</u>	<u>78,134</u>
Governmental activities capital assets - net	<u>\$ 85,214</u>	<u>\$ (3,080)</u>	<u>\$ -</u>	<u>\$ 82,134</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

General government \$ 3,080

Village of Clarksville
Notes to Financial Statements

6. General Long-Term Debt

A summary of general long-term debt is as follows:

	<u>Balance 02/29/06</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 02/28/06</u>	<u>Due Within One Year</u>
Michigan Department of Transportation – Infrastructure loan; payable in annual payments of \$15,386; interest at 4%.	\$ <u>80,542</u>	\$ <u>0</u>	\$ <u>12,164</u>	\$ <u>68,378</u>	\$ <u>12,651</u>

The following is a summary of principal maturities and interest requirements:

Year ending February 28,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 12,651	\$ 2,735	\$ 15,386
2009	13,157	2,229	15,386
2010	13,683	1,703	15,386
2011	14,231	1,155	15,386
2012	<u>14,656</u>	<u>586</u>	<u>15,242</u>
Total	\$ <u>68,378</u>	\$ <u>8,408</u>	\$ <u>76,786</u>

7. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2007, the City carried commercial insurance to cover all risks of losses. The Village has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

8. Sewage Disposal System

The Village of Clarksville, in conjunction with the Township of Boston and the Township of Campbell, constructed a sewer system. The system is designated as "Ionia County Sewage Disposal System (Clarksville-Morrison Lake)".

The Clarksville - Morrison Lake Sewer Authority was formed by the three governmental units in order to operate and maintain the sewage disposal system. The authority is acting in an agency capacity on behalf of these three governmental units.

Required Supplemental Information

Village of Clarksville
Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget to Actual
General Fund and Major Special Revenue Funds
Year Ended February 28, 2007

	General Fund			Major Street Fund			Local Street Fund		
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
Revenues:									
Taxes	\$ 66,889	\$ 66,889	\$ 63,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	33,750	33,750	37,717	25,090	25,090	25,090	6,830	6,830	6,830
Interest	4,047	4,047	7,551	-	-	182	-	-	176
Other	2,482	2,482	4,496	-	-	-	-	-	-
Total revenues	<u>107,168</u>	<u>107,168</u>	<u>113,142</u>	<u>25,090</u>	<u>25,090</u>	<u>25,272</u>	<u>6,830</u>	<u>6,830</u>	<u>7,006</u>
Expenditures:									
Current operations:									
Legislative	4,840	4,840	7,190	-	-	-	-	-	-
General government	70,201	70,201	42,890	-	-	-	-	-	-
Public works	24,945	24,945	14,970	10,725	10,725	11,796	12,991	12,991	9,947
Debt service	-	-	-	15,386	15,386	15,386	-	-	-
Total expenditures	<u>99,986</u>	<u>99,986</u>	<u>65,050</u>	<u>26,111</u>	<u>26,111</u>	<u>27,182</u>	<u>12,991</u>	<u>12,991</u>	<u>9,947</u>
Net Changes in Fund Balances	7,182	7,182	48,092	(1,021)	(1,021)	(1,910)	(6,161)	(6,161)	(2,941)
Fund Balances - Beginning of Year	<u>228,178</u>	<u>228,178</u>	<u>228,178</u>	<u>18,870</u>	<u>18,870</u>	<u>18,870</u>	<u>11,072</u>	<u>11,072</u>	<u>15,567</u>
Fund Balances - End of Year	<u>\$ 235,360</u>	<u>\$ 235,360</u>	<u>\$ 276,270</u>	<u>\$ 17,849</u>	<u>\$ 17,849</u>	<u>\$ 16,960</u>	<u>\$ 4,911</u>	<u>\$ 4,911</u>	<u>\$ 12,626</u>

Other Supplemental Information

Village of Clarksville
General Fund
Comparative Balance Sheets
February 28, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash	\$ 276,848	\$ 234,171
Taxes receivable	-	6,030
Due from other governmental units	<u>9,664</u>	<u>5,482</u>
Total assets	<u>\$ 286,512</u>	<u>\$ 245,683</u>
<u>Liabilities and Fund Balances</u>		
Liabilities:		
Accounts payable	\$ 3,436	\$ 9,261
Accrued payroll	<u>6,806</u>	<u>8,244</u>
Total liabilities	<u>10,242</u>	<u>17,505</u>
Fund Balances:		
Unreserved;undesignated	<u>276,270</u>	<u>228,178</u>
Total liabilities and fund balances	<u>\$ 286,512</u>	<u>\$ 245,683</u>

Village of Clarksville
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
Taxes	\$ 66,889	\$ 63,378	\$ (3,511)	\$ 52,760
Licenses and permits	-	-	-	55
Intergovernmental	33,750	37,717	3,967	33,750
Interest and rental	4,047	7,551	3,504	7,673
Other	<u>2,482</u>	<u>4,496</u>	<u>2,014</u>	<u>2,564</u>
Total revenues	<u>107,168</u>	<u>113,142</u>	<u>5,974</u>	<u>96,802</u>
Expenditures:				
Legislative:				
Village council	<u>4,840</u>	<u>7,190</u>	<u>(2,350)</u>	<u>10,988</u>
General government:				
Executive	1,900	1,847	53	663
Election	600	74	526	-
Clerk	3,500	3,501	(1)	4,925
Treasurer	4,400	4,310	90	4,315
Village hall	33,228	16,091	17,137	8,209
Other	<u>26,573</u>	<u>17,067</u>	<u>9,506</u>	<u>21,526</u>
Total general government	<u>70,201</u>	<u>42,890</u>	<u>27,311</u>	<u>39,638</u>
Public works	<u>24,945</u>	<u>14,970</u>	<u>9,975</u>	<u>21,295</u>
Total expenditures	<u>99,986</u>	<u>65,050</u>	<u>34,936</u>	<u>71,921</u>
Net Changes in Fund Balances	7,182	48,092	40,910	24,881
Fund Balances - Beginning of Year	<u>228,178</u>	<u>228,178</u>	-	<u>203,297</u>
Fund Balances - End of Year	<u>\$ 235,360</u>	<u>\$ 276,270</u>	<u>\$ 40,910</u>	<u>\$ 228,178</u>

Village of Clarksville
Major Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
State revenue	\$ 25,090	\$ 25,090	\$ -	\$ 25,378
Interest	-	182	182	103
Total revenues	<u>25,090</u>	<u>25,272</u>	<u>182</u>	<u>25,481</u>
Expenditures:				
Maintenance:				
Contracted services	<u>6,248</u>	<u>6,872</u>	<u>(624)</u>	<u>9,584</u>
Total maintenance	<u>6,248</u>	<u>6,872</u>	<u>(624)</u>	<u>9,584</u>
Winter maintenance:				
Contracted services	<u>4,477</u>	<u>4,924</u>	<u>(447)</u>	<u>3,786</u>
Total winter maintenance	<u>4,477</u>	<u>4,924</u>	<u>(447)</u>	<u>3,786</u>
Debt service	<u>15,386</u>	<u>15,386</u>	<u>-</u>	<u>15,386</u>
Total expenditures	<u>26,111</u>	<u>27,182</u>	<u>(1,071)</u>	<u>28,756</u>
Net Changes in Fund Balances	<u>(1,021)</u>	<u>(1,910)</u>	<u>(889)</u>	<u>(3,275)</u>
Fund Balances - Beginning of Year	<u>18,870</u>	<u>18,870</u>	<u>-</u>	<u>22,145</u>
Fund Balances - End of Year	<u>\$ 17,849</u>	<u>\$ 16,960</u>	<u>\$ (889)</u>	<u>\$ 18,870</u>

Village of Clarksville
Local Street Fund
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget to Actual
Year Ended February 28, 2007
(With Comparative Actual Amounts for the Year Ended February 28, 2006)

	<u>2007</u>			<u>2006</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>Actual</u>
Revenues:				
State revenue	\$ 6,830	\$ 6,830	\$ -	\$ 6,686
Interest	-	176	176	86
Total revenue	<u>6,830</u>	<u>7,006</u>	<u>176</u>	<u>6,772</u>
Expenditures:				
Maintenance:				
Supplies and materials	2,906	2,225	681	9
Contracted services	<u>6,593</u>	<u>5,048</u>	<u>1,545</u>	<u>691</u>
Total maintenance	<u>9,499</u>	<u>7,273</u>	<u>2,226</u>	<u>700</u>
Winter maintenance:				
Contracted services	<u>3,492</u>	<u>2,674</u>	<u>818</u>	<u>1,577</u>
Total winter maintenance	<u>3,492</u>	<u>2,674</u>	<u>818</u>	<u>1,577</u>
Total expenditures	<u>12,991</u>	<u>9,947</u>	<u>3,044</u>	<u>2,277</u>
Net Changes in Fund Balances	(6,161)	(2,941)	3,220	4,495
Fund Balances - Beginning of Year	<u>15,567</u>	<u>15,567</u>	-	<u>11,072</u>
Fund Balances - End of Year	<u>\$ 9,406</u>	<u>\$ 12,626</u>	<u>\$ 3,220</u>	<u>\$ 15,567</u>

Village of Clarksville
Schedule of Indebtedness
February 28, 2007

**Michigan Department of Transportation
Infrastructure Loan**

<u>Issue Date</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>2/28/2006</u>	<u>2/28/2007</u>	<u>Interest Payable</u>
July 27, 1999	\$ 144,000					
		4.000%	7/21/2006	\$ 12,164		
		4.000%	7/21/2007	12,651	\$ 12,651	\$ 2,735
		4.000%	7/21/2008	13,157	13,157	2,229
		4.000%	7/21/2009	13,683	13,683	1,703
		4.000%	7/21/2010	14,231	14,231	1,155
		4.000%	7/21/2011	14,656	14,656	586
				<u>\$ 80,542</u>	<u>\$ 68,378</u>	<u>\$ 8,408</u>



To the Village Council
of the Village of Clarksville

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Clarksville as of and for the year ended February 28, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Village's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the a governmental unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the governmental unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

2007-1: The management of the Village has the ability to produce internal reporting that allows for financial management of the day to day operations. However, management relies on the external auditors to prepare its external audit reports. While this may be typical of some smaller municipalities, it is considered a material weakness under SAS 112, which became effective this year.

2007-2: Due to the limited personal in the accounting department, the Village lacks segregation of duties over several areas, including cash receipting, journal entry processes, and cash disbursements. The limited size of the staff does not allow for segregating duties. The Village should be aware of these areas and attempt to establish procedures to minimize this lack of controls.

2007-3: The Village has chosen not presented a Management's Discussion and Analysis as supplementary information. This is considered a significant deficiency as defined by SAS 112.

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A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Of the significant deficiencies described above, we consider Finding 2007-1 to be a material weakness.

This communication is intended solely for the information and use of management, the Village Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Willis & Jurasek, P.C.

Willis & Jurasek, P.C.

August 10, 2007